



DEPARTMENT OF STATE
ACTION MEMORANDUM

S/S

September 1, 1978

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TO : The Secretary
THROUGH: P - David D. Newsom
FROM : ARA - Viron P. Vaky
SUBJECT: Vice President Mondale's Meeting with
Argentine President Videla

ISSUE FOR DECISION

Whether to sign the attached Briefing Memorandum from you to Vice President Mondale for the Vice President's meeting with Argentine President Videla, September 4, in Rome.

ESSENTIAL FACTORS

Vice President Mondale has agreed to meet with President Videla on September 4 in Rome to discuss the deterioration in U.S.-Argentine relations. Attached is a Briefing Memorandum with Talking Points and several supporting Background Papers.

Recommendation:

That you sign the attached Briefing Memorandum.

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THE SECRETARY OF STATE
WASHINGTON

September 1, 1978

MEMORANDUM FOR: THE VICE PRESIDENT
From: Cyrus Vance
Subject: Meeting with Argentine President Videla

You are scheduled to meet with Argentine President Videla September 4 in Rome to discuss U.S.-Argentine relations and ways to reverse a precipitous deterioration in our relations. The basic point you should make is that we seriously wish to improve relations as conditions permit and that a comprehensive and thorough review of our total relationship may be desirable. Assistant Secretary Vaky has been designated to undertake this task and is prepared to make arrangements with President Videla for this purpose.

SETTING

Faced with a once severe terrorist threat, the military government in Argentina has seriously abused basic human rights (Attachment 1). The United States has as a result restricted military sales (an embargo on the sale of Munitions List items will go into effect October 1. Attachment 2), held back approval of Argentine transactions in the Export-Import Bank, and voted against Argentine loan proposals in the International Financial Institutions (Attachment 3). We have sought to induce improvement by indicating that Argentine steps in this direction would result in relaxing these restrictions.

Initially, the Argentine Government reacted to our pressure with some restraint and sought to convince us of the necessity of its actions. More recently, however, it has moved rapidly to diversify its international ties, reassess its relationship with us, and prepare to adopt an adversarial course.

In a major attempt to encourage progress in human rights and improve relations, Under Secretary Newsom visited Argentina last May and suggested that some

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relaxation of our restrictive actions would be possible if the Argentine government would take one or more of the following steps (Attachment 4):

- Agreement with the Inter-American Human Rights Commission (IAHRC) on a visit to Argentina;
- Try, release, or allow exile for the prisoners held without charge;
- Establish a mechanism to inform families of the fate of the disappeared.

While Mr. Newsom was given a courteous and sympathetic reception, the Argentine authorities have not taken any significant steps forward since his visit. Reaction in Argentina to our pressure, on the other hand, has been severe. Contrary to our own view, many Argentines consider that the situation has measurably improved in the last two years. The recent denial of an Ex-Im letter of interest to Allis-Chalmers for the sale of hydroelectric equipment, in particular, was seen as a deliberate escalation in our sanctions.

As the most powerful Spanish-speaking country of South America, Argentina could become a significant negative force in areas important to us such as nuclear proliferation (Attachment 5), regional security arrangements, conventional arms restraint, and Third World issues.

Videla's Approach

We do not know exactly what Videla will say. He may simply give the standard Argentine exposition -- that human rights violations are an unfortunate, if unavoidable and necessary, by-product of the effort to suppress a vicious terrorist campaign, which threatens Argentina with anarchy. On the other hand, there is also the possibility that he might bring some new concrete points, explain steps they are now prepared to take (particularly in regard to the Human Rights Commission), and suggestions on the future evolution of U.S.-Argentine relations.

Your Approach

Your approach should be sympathetic. You would wish to avoid commitments in response to specific suggestions, if any, but would note that you will carry Videla's

message back to President Carter.

We recommend you say specifically:

- On our side, we seriously wish to improve relations;
- As a token of this, we have taken -- and are taking -- some modest steps, such as release of export licenses for ambulance aircraft as well as Army helicopters, airport radar equipment, voice security communications equipment and other items on our Munitions Export Control List.
- While we understand the tragic history of Argentina's domestic political conflict, we remain concerned over the human rights situation, specifically the treatment of the human person.
- We wish to maintain normal relations in as many areas as possible, as is evidenced, for example, by the forthcoming bilateral economic consultations (Attachment 6), and are prepared to expand these relations as conditions permit.
- We believe a thorough and comprehensive review of the whole gamut of our relations would be desirable. The President and the Secretary of State have asked Assistant Secretary Vaky to undertake this.
- The place and format for such consultations would be for President Videla to decide. Assistant Secretary Vaky is willing to come to Buenos Aires, as previously proposed.

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ATTACHMENTS

- 1 - HUMAN RIGHTS
- 2 - KENNEDY-HUMPHREY AMENDMENT
- 3 - HUMAN RIGHTS & U.S. RESTRICTIVE PRACTICES
- 4 - UNDER SECRETARY NEWSOM VISIT
- 5 - NUCLEAR NON-PROLIFERATION - ARGENTINA
- 6 - CONSULTATIONS
- 7 - ARGENTINA - GENERAL BACKGROUND
- 8 - BIOGRAPHIC DATA

President-Lt. Gen. Jorge Rafael Videla
Foreign Minister - Vice Adm. Oscar A. Montes

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HUMAN RIGHTS

The 1978 human rights record of the military junta led by President Jorge R. Videla is demonstrably better, than it was in mid-1976 or even mid-1977. Serious violations still occur, however, raising questions about the significance, scope and effectiveness of measures that Argentine officials insist be recognized as "fundamental improvements."

There is no evidence available to us that would indicate that strict observance of legal procedures in the treatment of political-security cases is in sight.

On the positive side:

- An apparent, although unverifiable, decline in the rate of disappearances has occurred since mid-1977. Both Embassy Buenos Aires and Argentine human rights activists believe that the rate has declined. If true, this is the most important development listed here.
- Over 300 prisoners were released in a Christmas amnesty. Subsequently, the government undertook serial publication (nine lists to date) of the names of the some 3,600 executive (state-of-seige) prisoners acknowledged as detained.
- The "right of option" program has been implemented, enabling executive detainees to petition for exile in lieu of continued imprisonment. Less than 50 prisoners have so far departed under this procedure, however.
- Responsive action has been taken on cases in which the U.S. has expressed special interest, e.g., Jacobo Timerman, Guillermo Vogler, and the Deutchs.
- Attempts reportedly have been made by some security authorities to regularize detention procedures, return counterterrorist troops to normal military activities, and demilitarize the police.

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On the negative side of the ledger:

- Disappearances continue, with one of the several security entities probably responsible in nearly every instance. Victims have included not only suspected terrorists but also labor leaders and workers, human rights advocates, scientists and doctors, members of radical political parties, and others whose specific vulnerability remains unknown.
- Despite President Videla's professed desires, renegade security elements continue to operate with apparent impunity because they act with the toleration if not under orders of some military officials. At least in cases involving suspected terrorists, clandestine arrest, torture, and summary execution are standard practices.
- There are five reasonably documented cases (which occurred in February and March) in which political prisoners were released and almost immediately assassinated, presumably by security officials. There have been reports of other cases like these.
- A particularly shocking incident, which occurred last December, was the abduction by unidentified security personnel of 13 members of the Mothers of the Plaza de Mayo, a group that pressures the government for information on disappearance cases. According to reports, the bodies of seven of the group, including two French nuns, later washed ashore.
- Official harrassment of selected religious groups continues. The Jehovah's Witnesses have born much of the brunt.

Problem of the "disappeared." Estimates vary widely, but at least several thousand people have disappeared since the March 1976 military coup. Security personnel have been responsible in most cases, and it is during illegal detentions and subsequent interrogations that the most egregious violations tend to occur. In mid-1977 there was some fear that the gradual reduction in the number of terrorist combatants would be followed by a sweeping and systematic effort to eliminate so-called "intellectual authors

of terrorism" and others who, for whatever reason, ran afoul of military hardliners. To our knowledge, no such sweeping attack was initiated, although, as indicated above, individuals not terrorists and representing a variety of sectors and interests have been abducted. Many are reported or presumed to be dead.

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Kennedy-Humphrey Amendment

On October 1, 1978 the Kennedy-Humphrey amendment to the Foreign Assistance Act will enter into effect and prohibit the sale of items on the Munitions Control List to Argentina.

The amendment was passed by Congress in August 1977 because of the serious human rights problems in Argentina, but was drafted to allow approval of license requests before October 1, 1978 if the situation in Argentina merited.

Based on this amendment, and more general legislation, the Department has held back most license requests for Argentina -- over 200 are now pending. This has created a most adverse reaction among the Argentine military and triggered their turn to European arms suppliers.

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HUMAN RIGHTS AND U.S. RESTRICTIVE ACTIONS

The United States has taken the following restrictive actions in response to human rights violations in Argentina.

The International Financial Institutions

- IBRD - We have abstained on three loans valued at \$265 million since June 1977.
- IDB - We have voted no on three loans worth \$123 million since October 1977.
- IFC - We have abstained on \$33 million of loans since March 1978.

The Export-Import Bank

By law, the Export-Import Bank must take human rights into consideration when considering new transactions. Because of this legislation, there are 11 loan requests for Argentina valued at \$683 million held back by the Bank. One of these cases, a request by Allis-Chalmers for \$270 million for electrical generating equipment for a hydroelectric project, caused considerable negative reaction in Argentina. The Bank announced that it could not give Allis-Chalmers a letter of interest, which would have strengthened the company's hand in the international bidding for the contract because of the human rights situation in Argentina. The Argentines called in our Ambassador and presented a Note of Protest over what they considered this intervention in their domestic affairs.

The Boeing Corporation, which has requested Export-Import Bank financing for the sale of \$196 million in airplanes to Argentina, has had to turn to private banks in the face of the Export-Import position. The company may lose \$100 million of the potential \$196 million order.

Military Sales

-- There are over 200 Munitions Control List cases valued at \$145 million pending. Mainly spare parts, some cases have been held back eight months or more.

-- 101 requests worth some \$25 million for Foreign Military Sales letters of authorization are pending action by the U.S. They will not be acted upon unless there is positive movement in the human rights area in Argentina.

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Under Secretary Newsom Visit

Under Secretary Newsom's late May visit to Argentina was made with the hope of eliciting some positive movement in the human rights area. Newsom made clear to the Argentines that our basic concern was for the rights of the person and promised that the U.S. would respond if the Argentines moved in any one of the three following areas:

- Reach mutual agreement with the Interamerican Human Rights Commission (IAHRC) of the OAS for a visit by the Commission to Argentina
- Try, release, or allow exile for the 3500 prisoners held without charge.
- Establish a mechanism to inform the families of the disappeared of the fate of these people.

Specifically, Mr. Newsom promised that the U.S. would 1) recommend approval of the Allis-Chalmers and Boeing requests for Export-Import Bank financing and, 2) approve sale of military training if the Argentines would agree to a mutually acceptable IAHRC visit (President Videla had expressed to Mr. Newsom his government's intention to invite the IAHRC).

The Argentines were elusive on the actions they would take, but the conversations were generally positive in tone.

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Nuclear Non-Proliferation -- Argentina

Argentina has the most advanced and comprehensive nuclear energy program in Latin America. It seeks to become self-sufficient in nuclear energy, and to become the first exporter of nuclear technology in the hemisphere. It has based its power program on reactors fueled by natural (unenriched) uranium in order to avoid dependence upon suppliers of enriched fuel. Natural uranium reactors require heavy water to operate, and while Argentina can produce small quantities of this material, it cannot produce heavy water in the amounts required to support its ambition of complete independence. Acquiring heavy water production technology is therefore of critical importance to Argentina, and adequate technology is available only from the U.S. and Canada. However, technology of a lower order might be available elsewhere.

Beyond self-sufficiency in its nuclear energy program option, the ultimate intentions of the Argentine leadership in the nuclear field are not clear. Argentina's decision to ratify the Treaty of Tlatelolco represents a limited but welcome step to accept greater restrictions on its freedom of action. At the same time, Argentina is continuing with its plan to construct a sizeable reprocessing plant, and maintains that it is not prepared to forego this program unless parallel action is taken by Brazil. This plant would give Argentina an ample source of safeguard-free plutonium to support a weapons program as early as 1981. There is no evidence of a decision by the government to carry out such a program, but the capability is there.

Our most important lever in Argentina is the possibility of eventual transfer of heavy water production technology. We have made clear that the supply of heavy water production technology to Argentina is conditioned upon the acceptance of full-scope safeguards and the cancellation or deferral of the Argentina reprocessing project. The Argentines have repeatedly attempted to distort the U.S. position to obtain this technology without foregoing reprocessing. They maintain that since they have now ratified Tlatelolco and have indicated their readiness to accept full scope safeguards, the U.S. is obligated to supply this technology. But, we understand that in fact they have not deposited their instrument

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of ratification in Mexico City. We are uncertain whether this is in retaliation for U.S. human rights initiatives or simply bureaucratic laggardness.

Both Governments have thus far managed to keep our nuclear dialogue apart from the human rights issue, but this is becoming increasingly difficult. In an effort to keep nuclear cooperation from becoming linked to the deterioration in other aspects of our relationship with Argentina, we are sending a delegation to Buenos Aires in October to discuss some next steps in expanding our cooperation in this area.

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Nuclear Non-Proliferation - Argentina

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CONSULTATIONS

We have attempted to convey to the Argentines our interest in maintaining continued contact and cooperation in areas other than those directly related to human rights.

Joint US-Argentine Economic consultations are scheduled for September 18-22 in Washington. The talks will touch most areas of economic concern, including discussion of the MTN, countervailing duties, investment and tourism.

We are also scheduling an October visit to Argentina by a nuclear group which will discuss possible ways of expanding cooperation in this field. We hope that sandwiching the two meetings -- nuclear and economic -- around the October 1 military sales cutoff dates will make it clear to the Argentines that we are desirous of improved relations and that the Kennedy-Humphrey amendment is not a unilateral declaration of hostility by the U.S.

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ARGENTINA

GENERAL BACKGROUND

Argentina is Latin America's most European state. Its highly literate population of 26 million is Latin America's best trained. The first Latin American state to build a nuclear reactor (1958), it is the first "Third World" state to export a reactor to another country - to Peru in 1978. In agriculture, its potential remains vast. It is already the fourth largest wheat exporter in the world as well as the fourth largest cattle producer.

At the time of the military takeover in March 1976, the civilian government of Maria Isabel Peron had disintegrated. Fanatical groups of leftist and rightist terrorists fought pitched battles, the country was nearly bankrupt and inflation exceeded an annual rate of 600%. Order has been imposed but at a heavy price in terms of human rights.

The three man Junta which came into power in 1976 has managed to maintain stability for 2 1/2 years, and prospects are for a continuation of relative internal peace for the foreseeable future.

President Videla, recently elected in his retired-or civilian-status constituting the "fourth man" in the junta, projects a cautious image, suggesting a preference for acting by consensus within the army rather than risk dissension within the senior ranks. Civilian politicians and Church leaders perceive Videla as a moderate whose objective is to restore democratic rule.

The ambitious Navy Commander, Admiral Massera, wants to circumscribe the Presidency's as yet unclearly defined powers. Massera himself will retire soon and has his lines out to civilian politicians and labor leaders in a clear bid for the Presidency at some future date. Massera, who distinguished himself as a tough counter-terrorist, is now championing human rights.

The political parties, whose activities were suspended when the Junta came to power, discredited themselves by their ineffectiveness before the 1976 coup and have

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shown little effective resistance to the military government. They have few attractive candidates or issues to offer the voters. The Peronistas, a coalition of populist and minor labor elements won over 50% of the vote in the last election in 1973, but are divided over who should inherit Juan Peron's mantle. The middle class Radicales are making some effort to revive their party and stimulate public support, but seem to be making little effective headway.

In the next few years, there appears little possibility of a return to civilian rule, provided the Junta is able to bring about improvements in the economic lot of major sectors of the population. Although the Junta has been successful in rationalizing the economy and restoring business confidence from the chaotic pre-revolution conditions, serious problems remain.

The government has built up foreign exchange holdings of over \$5 billion, increased exports to over \$5 billion annually and is attempting to balance the budget and has held unemployment to 4%. However, the government has not been able to control inflation, which is still running at over 100% per year. Expectation of runaway inflation is the main obstacle to private enterprise-oriented Economy Minister Martinez de Hoz's plans for economic recovery. Given credit for the economic progress made by the Junta, the Minister could lose his military backing if the situation does not improve soon. Most serious is the decrease in the salaried employee's living standards. Real wages have declined by as much as 30% in some sectors in the last two years and popular discontent is increasing.

The United States has \$1.4 billion in investments in Argentina and \$3 billion in loans from U.S. commercial banks. U.S. companies and banks have continued to show interest in Argentina, but are awaiting assurances that the country is politically and economically stable before making new long term investments.

The U.S. has traditionally enjoyed trade surpluses with Argentina. 1977 exports to Argentina were \$383 million. The Argentine trade deficit with the U.S. for the First Quarter of 1978 was \$42 million.

Organized terrorist movements have been largely brought under control. The once powerful Montonero revolutionaries and the Trotskyite People's Revolutionary Army (ERP) have been decimated. Assassinations and bombings attributable to the left, however, do still occur occasionally. The American business community, which numbered approximately 1,200 in 1973, plunged to 50 business representatives in 1975 but has now increased to somewhere over 100.

The human rights situation remains bleak. While the government did acknowledge in February that it is holding some 3,400 prisoners without charges, there has been a reluctance to free or charge those detainees. Meanwhile, disappearances and torture continue. We have made it clear to the Argentines that we do want better relations, but that there will have to be improvement in the human rights area before this is possible.

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